REMARKS

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The Life Sciences Industry of Tomorrow:
Healthy Canadians, Healthy Future

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INTRODUCTION

As some of you may know, I have had the privilege of a career leading health organizations - the 'other side' of the table, so to speak. Je suis donc bien consciente des tensions qui subsistent entre le secteur privé et le bien commun.

I believe I am as aware as possible of the tensions that can exist between the private sector and a public good. I am committed to the *idea* and the *ideal* that the best solutions come from collaboration, constructive dialogue, healthy challenges and compromise.

This will be the foundation and mainstay of my comments today and beyond. It is the vision of this association and its members to be the best partner possible, to contribute to creative solutions, and to share the weight of some of our most challenging concerns. Today, I'd like to take the opportunity to speak to four themes:

1. Our Economic Footprint: New data,
2. Research and Development: Our support for modernization of PMPRB,
3. Finding Middle Ground, and
4. Opportunities for Collaboration

1. ECONOMIC FOOTPRINT

In May of this year, former federal Health Minister Jane Philpott delivered a much-anticipated speech at the Economic Club of Canada here in Ottawa.

The speech was ambitious and far-reaching, and signaled, as the Minister said, "the most significant suite of changes" to Canada's pharmaceutical drug regime in more than two decades.

The Minister highlighted five key objectives of the government's renewed approach:

- Lowering the cost for prescription medicines
- Appropriate prescribing
- The creation of a national formulary for essential medicines
- The streamlining of the approval process for new innovative medicines, and
- The importance of the health and life sciences sector to the federal government's Innovation Agenda

At the end of the speech I stood to support the Minister's initiative, advising that the member companies of Innovative Medicines Canada welcomed the opportunity to work with the federal government, to help realize its objectives for the benefit of all Canadians.

I'm here today to not only reiterate our desire to collaborate, but to go further and talk about what that could look like, what we feel could be achieved through enhanced 'collaboration', and why it matters – to patients, the healthcare system, the economy, and yes, to Innovative Medicines Canada.

But before I do that, as mentioned, I would like to take a few minutes to provide some context and new data about the industry in Canada.

Earlier this year, the members of Innovative Medicines Canada engaged international professional services firm, Ernst & Young (EY), to undertake a first-of-its kind, data-driven analysis of the industry's economic footprint.

This was a significant undertaking, with members providing confidential information regarding their investments in R&D, patient support programs, donations to research programs conducted by charities, University Research Chairs and levels of employment.

The EY results, available today on our website, attest to the industry's commitment and contribution to our health systems and economy, and its commitment to investing in Canada.

Let me share a few highlights:

- The industry's overall economic contribution, measured as Gross Value Added (GVA), is estimated at $19.2 billion
- It supports just over 30,000 jobs, including many high value and well-paid researchers, scientists and clinicians, and
- The industry also is proud to support 673,000 patients, through compassionate care programs, financial assistance and counselling.

These investments are little know and represent the value proposition of the industry, taking us beyond the conversation on price, alone.

2. RESEARCH AND DEVELOPMENT

As many of you know, thirty years ago the federal government and the industry struck a ground-breaking agreement to develop an innovative medicines industry here in Canada.

In broad strokes, innovative drug makers were given greater patent protection in exchange for the industry re-investing 10% of its revenues back into research and development in Canada.

Today, it is clear that strategy, based on a specific definition of R&D, has not lived up to expectations, frankly, either for government or industry.

Government notes that the latest PMPRB report calculated that IMC members have reinvested 4.9% of their revenue into R&D in 2016. And in fact, PMPRB annual reports over the past several years have reached that same conclusion - that the industry has not met its 10% investment target in quite some time.

And from the industry perspective, while the PMRPB number does reflect the industry's investment in a form of R&D, specifically SR&ED – a government program to encourage Scientific Research and Experimental Development through tax incentives – that number fortunately does not reflect the true state of the industry's broader R&D investment in our country.

I'm pleased to share with you that new data tells us a bit more of the story, and it is one that paints a positive picture for all Canadians.

In terms of R&D investment specifically:

In 2016, the members of Innovative Medicines Canada invested $1.2 billion, representing 9.97% of their gross revenues - this is, in fact, more than double what is currently calculated

Indeed, according to another source – Research Infosource – the life sciences sector is the third largest R&D investor in Canada, with 20 firms among the top 100 corporate spenders

We are proud of our far-ranging investment in R&D in this country – it is pan-Canadian, diverse and cutting-edge – exactly as I'm sure we would all want it to be.

It ranges from:

- 4,500 clinical trials involving 24,000 Canadians from coast to coast,
- To world class vaccine manufacturing facilities and centres of excellence in Edmonton and Quebec City,
- To funding for Canada Research Chairs and support for Indigenous maternal health,
- And investments in cutting edge stem cell therapies in Toronto.

And here are a few specific examples of industry's research investment in Canada:

Last December, Bayer and Versant Ventures announced they were investing US$225 million to launch Blue Rock Therapeutics, an innovative stem cell technology firm.

Blue Rock was co-founded by a leading researcher at the McEwen Centre for Regenerative Medicine in Toronto and its research centre is headquartered in the MaRS Discovery District.

The Premier of Ontario and both federal and provincial innovation ministers attended the inauguration.

Another exciting example is the $1 billion (US) collaboration and licensing agreement GlaxoSmithKline has with Vancouver-based Zymeworks to research, develop and commercialize novel antibody therapeutics.

In both cases, these substantial investments simply don't fit into the PMPRB's current definition of R&D, which does not include collaborative initiatives with Canadian universities, hospitals, centres of excellence, early stage biopharmaceutical companies, and health charities. We believe there is a great opportunity for modernization, as desired by Health Canada, as well.

There are other areas where the new EY data provide opportunities to ensure the changes to PMPRB are exactly what Canada needs, and I look forward to the ongoing conversations with Health Canada to explore these further.

But suffice it to say, when you look back to where we started 30 years ago - with almost no industry presence - to the $25 billion invested in the past three decades, Canadians have benefited from a strong industry presence as a key partner in our health systems.

3. FINDING A MIDDLE GROUND

With that said, we recognize that the government is committed to lowering prices.

We are keen to work with government to achieve this, and its other policy objectives of improving access to drugs and advancing its innovation agenda.

We believe there is a way forward whereby Canada meets its objectives with regards to affordability and equitable access, while maintaining its status as a top tier country for clinical trials and the launching of new medicines.

Our concern is that this fine balance may not be achievable based on cumulative changes being proposed and implemented throughout the provincial and federal health systems - from the PMPRB proposals to new pricing negotiations through pCPA, significant cost recovery increases ("user fees"), among others.

We conducted an extensive analysis of the impact of the proposed PMPRB changes alone, and they are potentially quite substantive and far-reaching.

We must all ask ourselves if any industry can absorb that magnitude of loss without it impacting its ability to invest in high-risk innovation, and to employ top talent?

At the moment, Canada, while a small market, is nonetheless a leading jurisdiction for clinical trials.

Clinical trials provide free and timely access to the latest cutting-edge - in some cases life-saving - treatments. They are also an important draw for recruiting and retaining health care specialists.

Currently, over 60% of new medicines that are launched in key global markets are available in Canada.

That compares to 40% in Australia and 30% in South Korea – two countries with admittedly lower drug prices.

In the US and Germany, where prices are higher, so is the access to the latest treatments, at 85% and 70% respectively.

In other words, there is a direct correlation between prices and where new drugs are launched. A Solomon's choice, perhaps! But one that should be made with the best information, and in the best interest of patients, as well as budgets.

We fully appreciate the desire to lower prices and we are ready to engage in that discussion. Our hope however, is that we can find a middle ground whereby prices are lowered, but not to a dramatic and potentially crippling degree.

4. OPPORTUNITIES!

The industry is able to support the government in achieving a number of important policy objectives – whether that's actively engaging in Ottawa's ambitious superclusters initiative, or helping to ensure all Canadians have equitable access to new medicines.

I'll give you an example:

One of the major debates in this country - is about whether to introduce universal drug coverage – pharmacare.

While there is robust private and public drug coverage in Canada, we all share the concern that some Canadians are falling through the cracks because they have no coverage or insufficient coverage, to be able to pay for the medicines they need.

The challenge is two-fold:

- We actually don't have current, accurate data as to how many Canadians are in this situation, and
- The cost to implement universal drug coverage according to a September report by the Parliamentary Budget Officer is a staggering $19 billion

So we – as Canadians - are debating a massive outlay of taxpayer dollars, without knowing what is the true size of the problem.

What if we could pinpoint where the gaps in drug coverage are, and make sure those Canadians are covered?

A soon to be released report by the Conference Board, has undertaken for the first time, a province by province gap analysis to do just that. This report will provide the most up to date, comprehensive analysis of Canada's drug coverage.

The report will be published in late-November, but having seen early drafts, I can tell you that there are significantly fewer Canadians who find themselves in this unfortunate situation than the 10% that is often quoted.

Imagine how much money the government could save taxpayers if, instead of paying for coverage for those who are already served by their employer sponsored plan, it focused on those vulnerable Canadians who are not eligible for any coverage and who truly need the help.

There is a great deal that we as an industry could be doing to help support government in such an endeavour – from participating in a public-private funding mechanism, to educating patients on how to access already existing funding programs, to working with government on an essential medicines list.

And there is a great deal more we could be doing in other areas:

- Working with provincial governments to build infrastructure to collect and use healthcare data to ensure appropriate prescribing,
- Introducing performance-based payments for new innovative medicines to help lower costs.

Ultimately, we want Canada to become a global leader in life sciences research and pharmaceutical innovation.

The most recent federal budget identified health and biosciences as a key sector in making Canada a world-leading centre for innovation.

The budget echoed the findings of a report, published in February by the Finance Minister's Advisory Council on Economic Growth.

The Council, headed up by Dominic Barton – a Canadian – and CEO of McKinsey & Co, recommended Ottawa pursue a deliberate strategy to "unlock the untapped potential" of the health and life sciences sector through "carefully selected policy actions…to remove obstacles and seize opportunities."

The innovative pharmaceutical industry is eager to take that leap and work with governments and all other partners to realize that potential.

And so, as I wrap up, I want to repeat my pledge - the member companies of Innovative Medicines Canada are keen to work with all levels of government to find mutually beneficial solutions that are in the interests of all Canadians.

We can do better. Nous pouvons faire mieux. Partnership, communication, collaboration are the tools that will take us there.

Thank you. Merci.

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